

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

**Review of Commission's Price
Cap Rules**

Docket No. RM2013-2

REPLY COMMENTS OF THE ASSOCIATION FOR POSTAL COMMERCE

Pursuant to Commission Order No. 1678, the Association for Postal Commerce ("PostCom") hereby submits these reply comments to the Postal Service's Notice of Proposed Rulemaking Requesting Comments on Proposed Commission Rules for Determining and Applying the Maximum Amount of Rate Adjustments ("Proposed Rules") to respond to the Initial Comments of the United State Postal Service ("USPS Comments"). Specifically, PostCom responds to the Postal Service's proposal to "limit calculations of unused rate adjustment authority only to rate adjustment cases in which the Postal Service chooses to forgo implementing some portion of the authority available to it" and urges the Commission to reaffirm that deflationary periods (*i.e.*, periods in which the change in the Consumer Price Index ("CPI") is negative) must be factored into either the annual limitation or the calculation of unused rate adjustment authority. USPS Comments at 3.

As the Postal Service recognizes, the approach to calculating the maximum available rate authority when notice of price changes are filed more than 12 months apart put forth in the Proposed Rules is identical to the methodology adopted by the Commission in Docket No. R2011-1, Order No. 606. While mailers, including the Affordable Mail Alliance, urged the

Commission to take a different approach, one which would incorporate accrued negative unused rate adjustment authority into the calculation of maximum available rate authority,¹ the Commission insisted that the calculation of interim unused rate authority and the annual limitation on price increases “are separate calculations.” Order No. 606 at 16. Nevertheless, it acknowledged that interim unused rate authority “accrues during the intervening months between the filing of the most recent and instant notices of rate adjustment,” even when rate adjustments are more than 12 months apart. *Id.* Thus, even though the annual limitation could exclude periods of negative adjustment authority by summing only the most recent 12 months of CPI changes, the unused rate authority calculation would account for such periods.

PostCom does not necessarily object to the Postal Service’s proposal to “use the full rate adjustment authority associated with the period since the previous notice” when notices of rate change are filed more than 12 months apart as long as the “full rate adjustment authority” includes any reductions in rate authority caused by periods of declining CPI (*i.e.*, deflationary periods). USPS Comments at 3-4. PostCom is wary, however, of the Postal Service’s proposal to “limit calculations of unused rate adjustment authority only to rate adjustment cases in which the Postal Service chooses to forgo implementing some portion of the authority available to it.” USPS Comments at 3. If the Postal Service is suggesting that interim unused rate authority would not accrue in the period between rate adjustments, PostCom cannot support this alternative, at least to the extent that it would allow the Postal Service to avoid accounting for periods of negative price adjustment authority. However the annual limitation and the amount of unused rate adjustment authority are calculated, these calculations must not allow the Postal Service to ignore periods of deflation.

¹ See Comments of the Affordable Mail Alliance, Docket No. R2011-1, at 3 (Nov. 24, 2010).

Respectfully submitted,

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